

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554**

UNIVERSAL SERVICE ADMINISTRATIVE COMPANY

Supplemental Submission Regarding Federal Universal Service
Support Mechanisms Fund Size Projections for the Second Quarter
2004

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**SUPPLEMENTAL SUBMISSION REGARDING FEDERAL
UNIVERSAL SERVICE SUPPORT MECHANISMS FUND SIZE
PROJECTIONS FOR THE SECOND QUARTER 2004**

INTRODUCTION

The Universal Service Administrative Company (USAC) is the not-for-profit corporation responsible for administering the federal universal service support mechanisms: High Cost, Low Income, Rural Health Care, and Schools and Libraries Universal Service Support Mechanisms.¹ USAC also performs the billing, collection, and disbursement functions for all of these universal service support mechanisms.

***SUPPLEMENTAL INFORMATION REGARDING FUNDING
REQUIREMENTS***

**SUPPLEMENT REGARDING SCHOOLS AND LIBRARIES SUPPORT
MECHANISM**

USAC submits this Supplement Regarding Federal Universal Service Support Mechanisms Fund Size Projections for the Second Quarter of 2004 (2Q2004), in accordance with Section 54.709 of the Federal Communications Commission's (FCC or Commission) rules.² As USAC has previously reported to the Commission, USAC is maintaining a considerable Universal Service Fund (USF or the Fund) cash

¹ See Changes to the Board of Directors of the National Exchange Carrier Association, Inc., CC Docket No. 97-21, Federal-State Joint Board on Universal Service, CC Docket No. 96-45, *Third Report and Order in CC Docket No. 97-21, Fourth Order on Reconsideration in CC Docket No. 97-21 and Eighth Order on Reconsideration in CC Docket No. 96-45*, FCC 98-306, 63 Fed. Reg. 70564 (rel. Dec. 21, 1998); Access Charge Reform, Price Cap Performance Review for Local Exchange Carriers, Low-Volume Long Distance Users, Federal-State Joint Board on Universal Service, CC Docket No. 96-262, 94-1, 99-249, 96-45, *Sixth Report and Order in CC Docket Nos. 96-262 and 94-1, Report and Order in CC Docket No. 99-249, Eleventh Report and Order in CC Docket No. 96-45*, FCC 00-103 (rel. May 31, 2000) (*CALLS Order*); Federal-State Joint Board on Universal Service, Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas, CC Docket No. 96-45, *Twelfth Report and Order and Further Notice of Proposed Rulemaking*, FCC 00-208 (rel. June 8, 2000) (*Tribal Lands Order*); Federal-State Joint Board on Universal Service, Petition for Reconsideration filed by AT&T, CC Docket No. 96-45, *Report and Order and Order on Reconsideration*, FCC 01-85 (March 14, 2001) (*Contribution Methodology Order*).

² 47 C.F.R. §§ 54.709(a)(3), 54.709(b).

balance that is comprised primarily of undisbursed Schools and Libraries Support Mechanism funds for various funding years that are awaiting eventual disbursement in accordance with applicable law.

USAC has analyzed the rate of disbursement and collections for the Universal Service Support Mechanisms and has determined that a portion of the Fund's cash balance could be used by the Commission to reduce the USF collection requirement for 2Q2004 without any adverse consequences to the Fund or to the Universal Service Support Mechanisms. Specifically, USAC's analysis shows that it may prudently apply \$200 million of the Fund's cash balance toward meeting the funding requirements of the Schools and Libraries Support Mechanism for 2Q2004.

Accordingly, the Schools and Libraries Support Mechanism collection requirement for 2Q2004 could be revised as follows:

Schools and Libraries Support Mechanism 2Q2004 Demand	\$562.500M
Partial Application of USF Cash Balance	-\$200.000M
Prior Period True-Ups	\$38.820M
USAC Administrative Expenses (included in 2Q2004 Demand)	\$12.511M
Interest Income	<u>\$(6.981)M</u>
Total Revised 2Q2004 Schools and Libraries Support Mechanism Collection Requirement	\$394.339M

This alternative collection requirement is a cash management measure that would have no adverse impact on USAC's ability to satisfy all demand requirements on the Fund in 2Q2004, specifically including the Schools and Libraries Support Mechanism, and would not reduce the amount of funds available through any of the Universal Service Support Mechanisms, including the Schools and Libraries Support Mechanism, for disbursement to eligible entities in 2Q2004 or in future quarters.

Respectfully submitted,

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